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SENSITIVE

DEPT FOR EEB A/S SULLIVAN

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SUBJECT: AZERBAIJAN: EPC NEXT STEPS AND FOLLOW-UP

REF: BAKU 159

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¶1. (SBU) SUMMARY: Following up on the successful February 7 inaugural Economic Partnership Commission meeting, Embassy provides the following ideas for next steps to build upon the positive momentum created from elevating the U.S.-AJ bilateral economic dialogue. The Government of Azerbaijan (GOAJ) valued highly the EPC and appears to be advancing its economic agenda to meet the goals in the joint communique, including acceding to the World Trade Organization. Embassy welcomes comments and feedback from Washington on Embassy's ideas for next steps. Rigorous and active engagement on the key elements in the joint communique will ensure GOAJ progress toward our bilateral economic goals. END SUMMARY.

#### MACROECONOMIC POLICY AND DEVELOPMENT

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¶2. (SBU) To immediately continue our EPC dialogue on maintaining a stable macroeconomic environment and sustainable development, Embassy recommends that A/S Sullivan invite Finance Minister Sharifov to the U.S. during spring World Bank and IMF meetings April 14-15. A visit to the United States by Sharifov at this time would enable him to engage with IFIs while also meeting with Department of State, Department of Treasury, Federal Reserve and other USG offices to discuss macroeconomic policy. In addition, the U.S. could organize a regional roundtable with other finance ministers also visiting Washington for the WB/IMF meetings hosted by Sullivan to focus on mutual economic and financial trends.

#### WTO PROGRESS AND NEXT STEPS

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¶3. (SBU) Over the past two weeks, the Embassy has met with GOAJ officials from the Ministry of Foreign Affairs and the Ministry of Economic Development, including Deputy Minister Mikayil Jabbarov, to discuss the GOAJ's efforts to accelerate its WTO efforts. Following the EPC, there appears to be strong political will within the GOAJ to get the WTO accession process on track and to move forward as quickly as possible. Both the MFA and MED told Embassy officers that Minister Babayev, since receiving instructions from the President, is committed to make as much progress as possible in 2007 and accede to the WTO as soon as possible in 2008.

¶4. (SBU) In the coming weeks, Minister Babayev will make a ministerial level presentation at the Cabinet of Ministers on

the pros and cons of WTO membership. Then the GOAJ will quickly create a President's Council on WTO, possibly naming Babayev as chairman, to advance the internal GOAJ WTO process. The GOAJ readily admits that it requires tremendous technical and expert assistance to succeed with its WTO goal.

Embassy has outlined in broad strokes to the GOAJ our thoughts on possible WTO assistance to the GOAJ. The GOAJ has actively participated in the exchanges and provided feedback, indicating a renewed interest in making real progress. For our initial discussion, GOAJ is interested in consultants that understand WTO specifics and can move as quickly as possible to assist the GOAJ to update legislation and improve the GOAJ's WTO negotiation process.

#### GOAJ LEGISLATIVE DIALOGUE

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15. (SBU) The spring Parliamentary schedule includes debate on key legislation, including the draft code of ethics for civil servants and the draft law on investments. The Ministry of Economic Development has told Embassy officers that the GOAJ will also submit many WTO-related pieces of legislation for Parliament's discussion and approval in 2007. Embassy will continue to press the GOAJ to advance a comprehensive anti-money laundering and counter terrorist financing legislation and conflicts of interest legislation during the 2007 parliamentary session. Embassy will closely monitor Parliament's progress on approving the draft legislation.

#### MCIT WORKING GROUP

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16. (SBU) Embassy has discussed with the Ministry of

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Communication and Information technology establishing a permanent working group to facilitate cooperation in the telecommunications and information technology sector. The MCIT has nominated Ayaz Bayramov, Chief of International Cooperation, to be the GOAJ lead. The MCIT is ready to discuss with the USG next steps. Embassy requests Washington provide USG lead coordinator for the working group and to submit a proposed date for the first DVC.

#### SENIOR COMMERCE DEPARTMENT VISIT

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17. (SBU) To build on the EPC and the recent commercial success by Boeing, Embassy encourages the Department of Commerce to announce soon the senior level visit to Azerbaijan in 2007, as promised at the EPC and in the EPC Joint Communique. Economic Development Minister Babayev is actively engaged on increasing foreign direct investment and now is a good opportunity to seek to advance our commercial relationship so U.S. firms are engaged in new commercial opportunities in this burgeoning economy.

#### CUSTOMS ASSISTANCE

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18. (SBU) To advance our excellent customs cooperation and finalize the Customs Mutual Assistance Agreement signed during the EPC, Embassy requests that Washington provide written notification that all U.S. legal procedures necessary for entry into force have been completed. Embassy will continue to press the GOAJ to provide the U.S. with notification that Azerbaijani legal procedures have also been completed. Embassy also requests that the Frankfurt Immigration and Customs Enforcement (ICE) attache provide notification on dates of travel to Azerbaijan for consultations and to follow-up on the CMAA and EPC. In addition, Embassy will relay this week to the Customs Committee the BCCP proposal for reimbursable technical assistance developed during the January 15 visit of U.S. Customs and Border Protection (USCBP) Deputy Assistant Commissioner Audrey Adams (reftel). GOAJ agreement to such a

program will advance our anti-corruption and economic development goals in Azerbaijan.

#### AGRICULTURAL

¶9. (SBU) Embassy continues to believe that U.S.-AJ cooperation on agricultural development is necessary and important to develop this key non-energy sector. We believe the GOAJ would welcome a well-designed program of technical assistance for the agricultural sector. Embassy believes that the GOAJ is also prepared to finance such technical assistance and lacks the capacity to develop its own agricultural development program. Embassy requests that Washington and the Department of Agriculture consider developing a "complete" agriculture program, possibly tied to the GOAJ's WTO efforts, that could begin with a feasibility study of the areas where U.S. assistance, reimbursed or co-financed by the GOAJ, can have the most impact.

#### DOE WORKSHOP

¶10. (SBU) Embassy requests the Department of Energy indicate who plans to come to Baku before the proposed June workshop on energy-efficient, earthquake resistant low to moderate income housing to assist with preparations and next steps.

#### LEGISLATIVE DATABASE

¶11. (SBU) Since the EPC, there has been some positive momentum with efforts to maintain the U.S.-funded legislative database at the Ministry of Justice (MOJ). The MOJ has indicated that it now has the necessary funds to update and maintain the database. The President's office has also weighed in on the importance of keeping the database current. The U.S, through World Learning, is now providing funds to train MOJ and Presidential Apparat staff on using and maintaining the database. In addition, the GOAJ plans to publish an analysis of its anti-corruption strategy, including the failure to keep the legislative database up to date.

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